

Ottawa accepts Ontario's carbon price plan; Move comes ahead of court ruling on whether minimum can be imposed

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Body

The federal government has accepted Premier Doug Ford's carbon pricing scheme for heavy industry, even though Ottawa thinks the made-in-Ontario scheme is too weak.

The decision amounts to a de-escalation - for the time being, at least - of the pitched jurisdictional fight over the Liberal government's national carbon pricing law, which culminates in a Supreme Court challenge that will be heard this week. It was also denounced by environmental groups that want stronger action on climate change.

In a statement to the Star on Monday, federal Environment Minister Jonathan Wilkinson said Ontario's system to discourage greenhouse-gas emissions from heavy industry meets the minimum requirements set out by the federal carbon price.

But he added that "the proposed Ontario system is clearly weaker than" the federal government's industrial carbon pricing scheme.

"It is therefore not consistent with a long-term climate plan aimed at significantly reducing greenhouse gas emissions," he said.

Wilkinson said he has told Ontario officials the federal government wants to work together to strengthen the system, as Ottawa intends to review the minimum national carbon price before 2022. The price is currently pegged at \$30 per tonne of emissions, and set to rise to \$50 per tonne over the next two years.

Ontario Environment Minister Jeff Yurek applauded the decision and defended the provincial emissions performance standard system in his own statement Monday morning. He said the province's system gets more stringent over time, "saving Ontario industries the initial shock that is present in the federal plan," and that emissions standards will ensure large industrial emitters pay if they pollute too much.

"It is a more tailored program for Ontario's environment and economy because it helps us achieve emission reductions from big polluters and achieve our share of Canada's 2030 emissions reduction target without driving away business and job creators," Yurek said.

In 2018, the federal government passed a law to create a national minimum carbon price that would be imposed in provinces that failed to meet the federal standard. The federal standard has two components: a fuel tax and rebate scheme - that Ford and other Conservative politicians have labelled a job-killing tax - and an "output-based pricing system" for heavy industries.

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The fuel tax and rebates - which Ford has attacked with a campaign of gas station stickers - will remain in place in Ontario after the decision to recognize the province's pricing scheme for heavy industry.

When the federal carbon price came into effect in 2019, a number of provinces refused to make their own pricing systems and had Ottawa's system imposed on them in whole or in part. That included Ontario, Saskatchewan, Manitoba, New Brunswick and, later, Alberta, after Premier Jason Kenney scrapped the previous NDP government's provincial tax on fuel.

The discord gave rise to the legal challenges against the federal law that will be heard at the country's highest court this week. The provinces argue the federal government does not have the authority to impose the policy in their jurisdictions, while Ottawa says action to fight climate change by reducing emissions is a matter of national concern.

Since then, however, Ottawa has accepted some provincial pricing systems to replace the federal one in their jurisdictions. In December, the federal government green-lit Kenney's pricing system for heavy industry in Alberta, and days later accepted New Brunswick's own carbon tax on consumer fuels.

On Monday, a government source speaking on background said the federal government is begrudgingly accepting Ontario's carbon price for heavy emitters. Ontario was able to meet the minimum legal requirements of the federal law, and the provincial system is not expected to be as stringent as the federal system at least over the next few years, the source said. "We really had no choice from a legal perspective," the source said. "This is not something we want to do."

Wilkinson wrote to Yurek to inform him of the decision on Sunday. In his letter, which was obtained by the Star, Wilkinson tells his Ontario counterpart the provincial system is "significantly weaker" than the federal scheme, and that "will achieve substantially fewer (emissions) reductions," according to modelling from his department.

Ontario's auditor general determined last year that the province's carbon price for heavy industry would reduce greenhouse gas emission by one megatonne in 2030 - a tally that represents about 1.5 per cent of the province's total emissions in 2017.

In his letter, Wilkinson also pointed out that the Ford government had previously dismantled the province's cap-and-trade system, "which will result in a projected increase of 25 to 30 megatonnes of greenhouse gas emissions." Wilkinson's department estimated in 2018 that Canada's minimum pricing system - imposed across the country - would slash emissions by 50 to 60 megatonnes in 2022.

Environmental groups slammed Ottawa's decision on Monday. Sarah Buchanan, clean economy program manager for Environmental Defence, said in a statement that it is "extremely disappointing" for Ottawa to accept Ontario's pricing scheme.

"Implementing a weaker carbon pricing system for industry is another step backwards in fighting climate change," she said.

Keith Stewart, a senior energy strategist with Greenpeace Canada, said the decision shows Ottawa is caving to the Ford government on climate action. "This is Ottawa saying Ontario doesn't have to pull its weight in the fight against climate change," he said.

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